

GOBIERNO DE PUERTO RICO
JUNTA REGLAMENTADORA DE TELECOMUNICACIONES DE PUERTO RICO

RECEIVED

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OFICINA DE LA PRESIDENTA

September 26, 2000

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Magalie R. Salas
Secretary
Federal Communications Commission
445 Twelfth Street, SW
Washington, DC 20554

Irene Flannery
Vice President
High Cost Division
Universal Service Administrative Company
80 South Jefferson Road
Whippany, NJ 07981

Re: CC Docket 96-45 – Certification of the
Telecommunications Regulatory Board of Puerto Rico

Dear Ms. Salas and Ms. Flannery:

Pursuant to the Federal Communications Commission ("FCC") rule on Universal Service Support for High Cost Areas,¹ the Telecommunications Regulatory Board of Puerto Rico ("Board") hereby files its year 2001 certification with the FCC and the Universal Service Administrative Company ("USAC") High Cost Administrator. By this action the Board certifies, with qualifications, that all federal high-cost support provided to the Puerto Rico carriers identified below will be used only for the provision, maintenance, and upgrading of facilities and services for which the support is intended.

The specific Federal Support is provided pursuant to 47 CFR § 54.311 (the hold harmless provision for non-rural incumbent local exchange carriers). This rule requires that the total amount of interim hold-harmless support provided to a non-rural incumbent local exchange carrier shall equal the amount of support calculated for that carrier pursuant to 47 CFR Part 36 and shall also include Long Term Support provided pursuant to 47 CFR § 54.303.

Puerto Rico Telephone Company ("PRTC") is a non-rural incumbent local exchange carrier whose modeled proxy costs do not exceed the national cost benchmark established

¹ 47 CFR § 54.313(a)

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by the FCC.² PRTC received \$133,283,784 in 1999 federal universal service support and is eligible to receive federal universal service support in 2001.³ Therefore PRTC qualifies for hold-harmless support for its two study areas.

Centennial Puerto Rico Operations Corp. ("Centennial") is a competitive eligible telecommunications carrier that has received federal universal service support for its operations in Puerto Rico. In 1999, Centennial received \$535,536 in universal service support.⁴ Centennial is eligible to receive federal universal service support in 2001 according to the rules established by the FCC for competitive eligible telecommunications carriers.

The rules for distribution of interim hold-harmless support require that, absent a waiver, amounts be distributed first to the carrier's wire center with the highest wire center average Forward Looking Economic Cost ("FLEC") per line until that wire center's average FLEC per line, net of support, equals the average FLEC per line in the second most high-cost wire center. Support shall then be distributed to the carrier's wire center with the highest and second highest wire center average FLEC per line until those wire centers' average FLECs per line, net of support, equal the average FLEC per line in the third most high-cost wire center. This process shall continue in a cascading fashion until all of the interim hold-harmless support provided to the carrier has been exhausted.⁵ Federal rules do not mention distributing the hold harmless support amounts by carrier study area: the rules make no mention of study areas under the new regime beginning in the third quarter 2000. The Board therefore concludes that the FCC desires that the distribution of interim hold-harmless support, beginning in the quarter of 2000, be conducted on a carrier basis not on a study area basis. The Board's certification is based on this assumption.⁶

In light of the foregoing, the Board undertook a series of hearings on municipalities with high cost wire centers, including field hearings across Puerto Rico,⁷ to determine whether

² *Ninth Report and Order and Eighteenth Order on Reconsideration*, FCC 99-306 (released Nov. 2, 1999)

³ USAC Fourth Quarter 1999 Report, Appendix 1, Annualized total of high cost loop fund support and long term support for two study areas. Fourth quarter 1999 annualized high cost loop fund support amounts to \$44,442,228 and annualized long term support amounts to \$88,841,556.

⁴ USAC Fourth Quarter 1999 Report, Appendix 1. Annualized total of high cost loop fund support and long term support.

⁵ 47 CFR § 54.311(b)

⁶ USAC applies study area cascading using 47 CFR § 54.311(b). We believe that this rule applies to carrier wire centers and not to study area wire centers.

⁷ The Field Hearing Report on the Board's visit to municipalities with High Cost Wire Centers will be submitted to the FCC during October.

it could certify that all federal high-cost support provided to the Puerto Rico carriers will be used only for the provision, maintenance, and upgrading of facilities and services for which the support is intended.

Puerto Rico Telephone Company

Based on the facts gathered by the Board, the Board finds for PRTC that:

1. The FCC proxy model understates the amount of total universal service lines reported to USAC by 238,684 lines or over 18 percent.⁸ The inaccuracy of “model lines” creates significant support distribution anomalies at the wire center level that appear to be inconsistent with sound public policy. To illustrate the error introduced by the use of proxy wire center line counts instead of actual line counts, wire center ANSCPRURRS1 (“Añasco”) was modeled with 113 lines when in actuality the number of lines served by this wire center in December 1999 was 7,192 – a difference of 7,079 access lines or over 6,200 percent. Some wire centers have the opposite error. For example, wire center ARBOPRXB (“Arecibo Santana”) was modeled with 26,836 lines when the actual number of lines served by this wire center in December 1999 was 7,100 – a difference of (19,736) or (73.54) percent. Both errors distort the distribution process designed by the FCC.
2. Interim hold-harmless support of \$145,846,068⁹ amounts to 40 percent of the total annual cost modeled with the proxy model. (See Board Exhibit 1)
3. Using the carrier cascade approach (rather than a study area cascade approach), the targeted distribution of interim hold-harmless support is intended to reduce PRTC’s proxy cost per line per month to \$16.78 from \$27.99 per line per month. This \$11.21 average monthly support per line ranges at the wire center level from a maximum monthly support of \$141.35 to a minimum monthly support of \$5.01.
4. The Third Quarter 2000 report from USAC does not report any costs or support for the wire center LVTWPRXA (“Levittown”). The Board has included this wire center in its certification inasmuch as the FCC reports this wire center and PRTC identifies this wire center and reported line counts for this wire center. The

⁸ Exhibit 1, December 1999 USAC line counts. These line counts include WATS lines. WATS lines are included in the Board’s analysis to conform with the line counts reported to USAC. The 2,004 WATS lines on a base of 1,322,486 access lines do not significantly alter any findings made by the Board.

⁹ Based on Third Quarter 2000 support amounts reported by USAC to the FCC.

Board expects that USAC will make a correction to its database before First Quarter 2001 results are reported.

5. The Board finds that there are significant distribution anomalies in wire center support because of the use of wire center modeled lines and reported lines. FCC rules require that the FLEC for each wire center be computed based on model lines.¹⁰ The rules also require that reported lines then be used to update the wire center support amounts.¹¹ In instances where there are large discrepancies between model lines and reported lines, the resulting per line cost net of support is not uniform. The FCC modeling process intends to have wire center costs net of support be as uniform as possible – until hold harmless support is exhausted – via the cascading process. Yet, because of the use of reported lines applied to annual FLEC based on model lines, the wire center costs vary widely. The data reported in Board Exhibit 1 show that the wire center cost net of support ranges from a high of \$155.91 to a low of (\$20.16). The average cost net of support using reported lines is \$21.30 and the weighted average cost net of support is \$20.78. The variance using reported lines to distribution FLEC based on model lines is in stark contrast to the uniform average amount of \$16.78 reported using model lines.
6. The Board finds that hold-harmless support is intended to support existing carrier operations for universal service. The proxy FLEC results for PRTC underestimate actual embedded costs for these services. Embedded cost for existing facilities that deliver dial tone to all 1,322,486 universal service lines (instead of the 1,083,802 modeled lines) is 32 percent greater than FLEC estimates. Therefore, the Board intends to use, for certification and distribution of hold-harmless support only, FLEC adjusted costs that are factored up by 32 percent to represent the total actual costs of services that are supported by hold-harmless support.
7. Using FLEC adjusted costs, the Board certifies that based on wire center data, PRTC demonstrates that it uses \$142,463,614 for universal service. The Board does not certify that PRTC is able to use an additional \$3,382,454 for the wire centers to which this amount is targeted. (Third Quarter 2000 USAC total support for PRTC is \$145,846,068) There are four wire centers whose basic local service rate (including federal SLC) exceeds the net FLEC scaled to reflect embedded cost. Of the \$3.3M, \$2.5M results from a model-line-to-reported-line anomaly in one wire center. The number of model lines for a specific wire center (Arecibo Santana) was 26,836 and the number of reported lines for this wire center is

¹⁰ *Ninth Report and Order*, FCC 99-306 at paragraphs 78-88.

¹¹ *Id.*

7,100. This created a change in per line per month support for this wire center to (\$20.16) from \$13.29.

Based on the preceding facts, the Board certifies, with qualification, the use of federal universal service support for PRTC. That qualification concerns the \$3,382,454 anomaly. On an island where close to fifty percent (50%) of the population is below the United States poverty level, this payment would help to ensure that eligible Universal Service clients are not deprived of basic telephone service. Therefore, the Board recommends that the FCC direct USAC to distribute the \$3,383,454 to a Puerto Rico Universal Service Escrow Account to be disbursed by the Board to eligible telecommunications carriers in Puerto Rico that demonstrate a need for Universal Service support consistent with federal Universal Service principles. This disbursement to Puerto Rico would promote increased Universal Service to a jurisdiction where the subscriber penetration rate is less than 75 percent of households. (In 22 Puerto Rico municipalities, the subscriber penetration rates have fallen over the past one and a half (1-1/2) years.) The Board has designated NECA as administrator of the Puerto Rico Universal Service Program. Consequently, the distribution of the escrow within the Puerto Rico program would guarantee that the funds are used for Universal Service in Puerto Rico.

In any case, the Board requests, given the apparently large line count differences from reported lines to model lines, that the FCC consider providing synthesis model results using reported lines for the proper distribution of hold-harmless support in Puerto Rico. The Board believes that the distribution anomalies would disappear or diminish using data that reflects actual universal service lines rather than proxy modeled lines. Making this change to synthesis model results for Puerto Rico will further the preservation and advancement of universal service within Puerto Rico because the FLEC for wire centers will be determined using reported line counts instead of model line counts. This will facilitate targeting hold-harmless support in a manner consistent with Universal Service policy.

Centennial Puerto Rico Operations Corp.

Based on the facts gathered by the Board, the Board finds for Centennial that:

1. Based on USAC Third Quarter 2000 disbursements, Centennial receives \$984,883 annually under the targeted wire center approach. As of March 2000, Centennial has 33,020 universal service lines in Puerto Rico. Of this total, 22,821 lines are fixed wireless lines and 10,199 lines are wireline lines. Centennial reports that all 22,821 fixed wireless universal service lines are served from one wire center

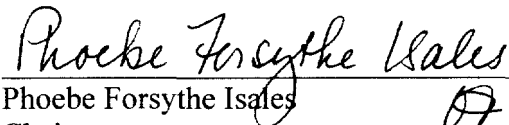
TRALPRXB. The support for wire center TRALPRXB is less than \$3.00 per line.¹²

2. The Board finds fixed wireless cost net of support exceeds fixed wireless revenues by more than the \$3.00 support amount.¹³
3. The support for Centennial wireline service averages \$1.56 per line per month.¹⁴ The Board finds that wireline cost net of support exceeds wireline revenues by more than \$1.56 per line per month.¹⁵

Given the foregoing information, the Board certifies that Centennial is a competitive eligible telecommunications carrier that meets the requirements for federal universal service support and uses this federal support in a manner consistent with federal policy and regulation.

There are other eligible telecommunications carriers in Puerto Rico, but they have not provided information to the Board for certification and therefore the Board withholds its certification of carriers other than PRTC and Centennial at this time. The Board reserves the right to certify other eligible telecommunications carriers according to the established quarterly procedure followed by the FCC and USAC.

Respectfully submitted,


Phoebe Forsythe Isales
Chair

¹² Using a study area cascade approach this amount is equal to \$2.31 per line per month. Using a carrier cascade approach, this amount is \$2.90 per line per month. Annualized, the difference to Centennial would be over \$160,000 in universal service support for fixed wireless service.

¹³ Information provided by Centennial has been designated confidential and proprietary. Without revealing the specific information provided to the Board, the Board is able to certify that the \$2.90 average support is being used to support universal service in Puerto Rico.

¹⁴ Using the carrier cascade approach, the wireless support is \$2.90 per line per month. The total support for Centennial is \$984,883. Wireless support represents $\$2.90 \times 22,821 \times 12 = \$794,170.80$. The remaining support is wireline support. The per-line wireline support is $\$190,712.20 / 10,199 / 12 = \1.56 .

¹⁵ Based on data provided by Centennial, the Board certifies that the per line support is being used in each wire center in accordance with federal universal service principles.

CERTIFICATE OF SERVICE

I, Susanne M. Gyldenvand, hereby certify that on this 26th day of September, 2000, copies of the foregoing "Certification Letter of the Telecommunications Regulatory Board of Puerto Rico," of same date, was served via first-class U.S. mail, postage prepaid, to the following:

*Magalie R. Salas
Secretary
Federal Communications Commission
445 Twelfth Street, SW
Washington, DC 20554

Irene Flannery
Vice President, High Cost Division
Universal Service Administrative Company
80 South Jefferson Road
Whippany, NJ 07981

Chairman William E. Kennard
Federal Communications Commission
445 Twelfth Street, SW
Washington, DC 20554

Commissioner Susan Ness
Federal Communications Commission
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Washington, DC 20554

Commissioner Harold W. Furchtgott-Roth
Federal Communications Commission
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Washington, DC 20554

Commissioner Michael K. Powell
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Commissioner Gloria Tristani
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Washington, DC 20554

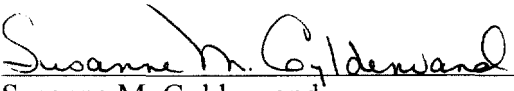
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*By Hand Delivery



Susanne M. Gyldenvand

Cascading Support Calculation for Hold Harmless Support for Puerto Rico Telephone Company's (PRTC's) two study areas

Exhibit 1

3Q Support
 Hold Harmless Support for PRTC = \$ 145,846,068
 National Avg FLEC per line= \$ 23.35
 PR Avg FLEC per line = \$ 27.99
 Avg Support per line = \$ 11.21

Benchmark% 0.718595361
 Target Support 145,846,068
 Actual Support 145,846,068
 Support Differ -

Model Lines 1,083,802
 Reported Lines 12-30-99 1,322,486
 Model Lines less Reported Lines (238,684) -18%

Cascaded Support Calculation
 Benchmark % 72%
 Benchmark \$ \$ 16.78

Study Area	CLLI	Total FLEC Annual Cost	Total Model Lines	FLEC Average Cost per Line per Month	Cascade Support \$ / Line / Mo.	Cascade Annual Support \$	Total Reported Lines	Report Adjusted Support \$/ Line / Mo.	Modeled Cost Net of Support Line / Month	Reported Cost Net of Support Line / Month
P R T C - Central	ABITPRXA	1,620,926	5,388	25.07	8.29	535,958.17	7,621	\$ 5.86	16.78	19.21
Puerto Rico Tel Co	ADJUPRXA	1,896,857	3,665	43.13	26.35	1,158,846	4,812	\$ 20.07	16.78	23.06
Puerto Rico Tel Co	AGDLPRXA	4,869,788	13,984	29.02	12.24	2,053,866	14,236	\$ 12.02	16.78	17.00
Puerto Rico Tel Co	AGDLPRXB	663,768	1,756	31.50	14.72	310,167	6,015	\$ 4.30	16.78	27.20
Puerto Rico Tel Co	AGUDPRXA	3,405,591	9,311	30.48	13.70	1,530,659	10,256	\$ 12.44	16.78	18.04
Puerto Rico Tel Co	ANSCPRXA	214,424	113	158.13	141.35	191,670	7,192	\$ 2.22	16.78	155.91
Puerto Rico Tel Co	ARBOPRXA	766,383	1,744	36.62	19.84	415,199	26,653	\$ 1.30	16.78	35.32
Puerto Rico Tel Co	ARBOPRXB	9,683,502	26,836	30.07	13.29	4,279,606	7,100	\$ 50.23	16.78	(20.16)
Puerto Rico Tel Co	ARRYPRXA	3,578,820	8,521	35.00	18.22	1,862,968	10,451	\$ 14.85	16.78	20.15
P R T C - Central	ASBSPRXA	1,950,889	5,135	31.66	14.88	916,867.41	6,277	\$ 12.17	16.78	19.49
Puerto Rico Tel Co	BCNTPRXA	2,335,267	5,890	33.04	16.26	1,149,213	6,517	\$ 14.70	16.78	18.34
Puerto Rico Tel Co	BRNQPRXA	2,630,785	5,972	36.71	19.93	1,428,219	7,321	\$ 16.26	16.78	20.45
Puerto Rico Tel Co	BYMNPRXA	1,484,182	4,441	27.85	11.07	589,909	39,379	\$ 1.25	16.78	26.60
Puerto Rico Tel Co	BYMNPRXB	24,527,807	81,694	25.02	8.24	8,077,295	65,740	\$ 10.24	16.78	14.78
P R T C - Central	CAYYPRXA	3,386,634	10,678	26.43	9.65	1,236,432.99	16,226	\$ 6.35	16.78	20.08
Puerto Rico Tel Co	CBRJPRXA	4,994,379	13,175	31.59	14.81	2,341,363	15,131	\$ 12.89	16.78	18.70
P R T C - Central	CDRAPRXA	2,841,484	7,510	31.53	14.75	1,329,214.15	8,819	\$ 12.56	16.78	18.97
P R T C - Central	CGUSPRXB	9,194,941	33,344	22.98	6.20	2,480,545.64	55,273	\$ 3.74	16.78	19.24
Puerto Rico Tel Co	CIBAPRXA	1,921,415	4,518	35.44	18.66	1,011,637	3,903	\$ 21.60	16.78	13.84
Puerto Rico Tel Co	CIBAPRXB	491,110	923	44.34	27.56	305,248	1,317	\$ 19.31	16.78	25.03
Puerto Rico Tel Co	CILSPRXA	1,962,300	3,929	41.62	24.84	1,171,127	4,497	\$ 21.70	16.78	19.92
Puerto Rico Tel Co	CMROPRXA	2,062,056	4,509	38.11	21.33	1,154,090	4,854	\$ 19.81	16.78	18.30
Puerto Rico Tel Co	CMUYPRXA	6,606,124	15,874	34.68	17.90	3,409,617	17,936	\$ 15.84	16.78	18.84
Puerto Rico Tel Co	CNVNPRXA	5,380,921	15,918	28.17	11.39	2,175,554	15,135	\$ 11.98	16.78	16.19
Puerto Rico Tel Co	COMOPRXA	3,289,138	7,838	34.97	18.19	1,710,820	8,529	\$ 16.72	16.78	18.25
Puerto Rico Tel Co	CRLNPRXA	21,102,768	68,560	25.65	8.87	7,297,017	72,891	\$ 8.34	16.78	17.31
Puerto Rico Tel Co	CRZLPRXA	3,320,853	8,173	33.86	17.08	1,675,077	8,773	\$ 15.91	16.78	17.95
Puerto Rico Tel Co	CTANPRXA	3,073,763	10,984	23.32	6.54	861,943	9,601	\$ 7.48	16.78	15.84
P R T C - Central	CULBPRXA	243,730	446	45.54	28.76	153,920.20	856	\$ 14.98	16.78	30.56
Puerto Rico Tel Co	DRDOPRXA	3,215,218	9,352	28.65	11.87	1,332,029	8,780	\$ 12.64	16.78	16.01

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Puerto Rico Tel Co	FJRDPRXA	4,035,283	12,680	26.52	9.74	1,481,944	14,813	\$ 8.34	16.78	18.18
Puerto Rico Tel Co	FLRDPRXA	879,834	2,132	34.39	17.61	450,518	2,432	\$ 15.44	16.78	18.95
Puerto Rico Tel Co	GUNCPRXA	1,792,294	4,685	31.88	15.10	848,887	4,210	\$ 16.80	16.78	15.08
P R T C - Central	GURBPRXA	2,010,315	6,132	27.32	10.54	775,529.76	6,910	\$ 9.35	16.78	17.97
Puerto Rico Tel Co	GUYLPRXA	1,943,947	4,773	33.94	17.16	982,821	5,368	\$ 15.26	16.78	18.68
Puerto Rico Tel Co	GUYMPRXA	3,552,727	10,421	28.41	11.63	1,454,277	13,102	\$ 9.25	16.78	19.16
P R T C - Central	GUYNPRXA	8,544,382	32,677	21.79	5.01	1,964,298.24	41,433	\$ 3.95	16.78	17.84
Puerto Rico Tel Co	HRGUPRXA	1,608,415	5,037	26.61	9.83	594,127	3,929	\$ 12.60	16.78	14.01
Puerto Rico Tel Co	HUMCPRXA	5,586,453	16,103	28.91	12.13	2,343,833	21,037	\$ 9.28	16.78	19.63
Puerto Rico Tel Co	ISBLPRXA	3,595,877	9,338	32.09	15.31	1,715,508	12,245	\$ 11.67	16.78	20.42
Puerto Rico Tel Co	JNDZPRXA	3,459,612	8,689	33.18	16.40	1,709,931	11,143	\$ 12.79	16.78	20.39
P R T C - Central	JUNCPRXA	2,186,981	6,730	27.08	10.30	831,777.95	8,405	\$ 8.25	16.78	18.83
Puerto Rico Tel Co	JYUYPRXA	1,301,888	2,449	44.30	27.52	808,740	3,680	\$ 18.31	16.78	25.99
Puerto Rico Tel Co	LRESPRXA	2,771,842	5,526	41.80	25.02	1,659,085	6,912	\$ 20.00	16.78	21.80
Puerto Rico Tel Co	LSMSPRXA	918,370	1,341	57.07	40.29	648,337	2,210	\$ 24.45	16.78	32.62
P R T C - Central	LSPDPRXA	2,138,762	6,195	28.77	11.99	891,290.53	8,952	\$ 8.30	16.78	20.47
Puerto Rico Tel Co	LUQUPRXA	1,865,464	5,005	31.06	14.28	857,620	6,151	\$ 11.62	16.78	19.44
Puerto Rico Tel Co	LVTWPRXA	8,909,015	29,888	24.84	8.06	2,890,545	21,623	\$ 11.14	16.78	13.70
Puerto Rico Tel Co	MNATPRXA	3,575,846	10,040	29.68	12.90	1,554,117	13,698	\$ 9.45	16.78	20.23
Puerto Rico Tel Co	MOCAPRXA	3,055,447	7,342	34.68	17.90	1,577,007	8,455	\$ 15.54	16.78	19.14
Puerto Rico Tel Co	MRCOPRXA	577,545	733	65.66	48.88	429,943	1,423	\$ 25.18	16.78	40.48
Puerto Rico Tel Co	MRVSPRXA	2,202,730	4,653	39.45	22.67	1,265,768	6,253	\$ 16.87	16.78	22.58
Puerto Rico Tel Co	MUNBPRXA	1,259,551	2,528	41.52	24.74	750,494	3,108	\$ 20.12	16.78	21.40
Puerto Rico Tel Co	MYGZPRXX	10,260,683	32,364	26.42	9.64	3,743,627	39,403	\$ 7.92	16.78	18.50
Puerto Rico Tel Co	NGUBPRXA	2,490,574	6,539	31.74	14.96	1,173,833	6,091	\$ 16.06	16.78	15.68
Puerto Rico Tel Co	NRJTPRXA	2,943,169	7,421	33.05	16.27	1,448,821	7,593	\$ 15.90	16.78	17.15
Puerto Rico Tel Co	ORCVPRXA	2,423,567	4,142	48.76	31.98	1,589,503	5,501	\$ 24.08	16.78	24.68
Puerto Rico Tel Co	PNULPRXA	1,615,583	4,043	33.30	16.52	801,454	5,470	\$ 12.21	16.78	21.09
Puerto Rico Tel Co	PONCPRXX	16,796,491	56,531	24.76	7.98	5,412,988	62,099	\$ 7.26	16.78	17.50
Puerto Rico Tel Co	QUBRPRXA	1,936,764	5,069	31.84	15.06	916,032	6,496	\$ 11.75	16.78	20.09

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Puerto Rico Tel Co	RIGRPRXA	4,442,661	12,846	28.82	12.04	1,855,895	13,723	\$ 11.27	16.78	17.55
Puerto Rico Tel Co	RNCNPRXA	3,645,360	8,969	33.87	17.09	1,839,296	4,493	\$ 34.11	16.78	(0.24)
Puerto Rico Tel Co	SBGRPRXA	2,428,086	6,859	29.50	12.72	1,046,907	6,758	\$ 12.91	16.78	16.59
Puerto Rico Tel Co	SLNSPRXA	2,712,002	7,023	32.18	15.40	1,297,798	7,938	\$ 13.62	16.78	18.56
Puerto Rico Tel Co	SNGRPRXA	3,892,846	10,292	31.52	14.74	1,820,372	7,272	\$ 20.86	16.78	10.66
Puerto Rico Tel Co	SNGRPRXB	2,496,147	6,189	33.61	16.83	1,249,884	10,801	\$ 9.64	16.78	23.97
Puerto Rico Tel Co	SNIBPRXA	1,687,153	4,892	28.74	11.96	702,063	5,019	\$ 11.66	16.78	17.08
Puerto Rico Tel Co	SNJNPRXA	63,429,023	215,569	24.52	7.74	20,020,446	189,456	\$ 8.81	16.78	15.71
Puerto Rico Tel Co	SNJNPRXB	1,162,670	3,945	24.56	7.78	368,276	31,953	\$ 0.96	16.78	23.60
P R T C - Central	SNLZPRXA	2,580,468	7,069	30.42	13.64	1,157,001.35	10,237	\$ 9.42	16.78	21.00
Puerto Rico Tel Co	SNSBPRXA	4,262,301	9,592	37.03	20.25	2,330,785	11,636	\$ 16.69	16.78	20.34
Puerto Rico Tel Co	TOALPRXA	4,627,196	13,611	28.33	11.55	1,886,383	6,399	\$ 24.57	16.78	3.76
Puerto Rico Tel Co	TRALPRXA	331,753	484	57.12	40.34	234,291	44,634	\$ 0.44	16.78	56.68
Puerto Rico Tel Co	TRALPRXB	6,708,526	20,690	27.02	10.24	2,542,233	73,113	\$ 2.90	16.78	24.12
Puerto Rico Tel Co	UTUDPRXA	3,778,454	8,297	37.95	21.17	2,107,708	8,527	\$ 20.60	16.78	17.35
Puerto Rico Tel Co	VGATPRXA	3,134,517	9,146	28.56	11.78	1,292,811	10,577	\$ 10.19	16.78	18.37
Puerto Rico Tel Co	VGBJPRXA	5,152,669	15,429	27.83	11.05	2,045,771	17,999	\$ 9.47	16.78	18.36
Puerto Rico Tel Co	VLLBPRXA	966,624	2,477	32.52	15.74	467,837	5,463	\$ 7.14	16.78	25.38
P R T C - Central	VQUSPRXA	817,890	1,914	35.61	18.83	432,473.21	3,406	\$ 10.58	16.78	25.03
Puerto Rico Tel Co	YBUCPRXA	3,451,286	8,215	35.01	18.23	1,797,052	9,073	\$ 16.51	16.78	18.50
Puerto Rico Tel Co	YUCOPRXA	3,425,632	8,907	32.05	15.27	1,632,052	11,773	\$ 11.55	16.78	20.50
		364,088,498	1,083,802			145,846,068.00	1,322,486		average	21.30
									w average	20.75
									max	155.91
									min	(20.16)

1/ Does not account for multi-line business lines

Cascading Support Calculation for Hold Harmless Support for Puer) two study areas

Exhibit 2

	3Q Support
Hold Harmless Support for PRTC =	\$ 145,846,068
National Avg FLEC per line=	\$ 23.35
PR Avg FLEC per line =	\$ 27.99
Avg Support per line =	\$ 11.21

Model Lines	1,083,802	
Reported Lines 12-30-99	1,322,486	
Model Lines less Reported Lines	(238,684)	-18%

								Rate + SLC exceeds Cost + Scale			
Study Area	CLLI	Total FLEC Annual Cost	Total Model Lines	Total Reported Lines	Monthly Local Rate	Monthly Average SLC 1/	Factor of 1.32 net of support	Annual Support in Excess of Scaled Need			
P R T C - Central	ABITPRXA	1,620,926	5,388	7,621	\$ 14.00	\$ 3.50	\$ -	\$ -			
Puerto Rico Tel Co	ADJUPRXA	1,896,857	3,665	4,812	\$ 14.00	\$ 3.50	\$ -	\$ -			
Puerto Rico Tel Co	AGDLPRXA	4,869,788	13,984	14,236	\$ 15.10	\$ 3.50	\$ -	\$ -			
Puerto Rico Tel Co	AGDLPRXB	663,768	1,756	6,015	\$ 15.10	\$ 3.50	\$ -	\$ -			
Puerto Rico Tel Co	AGUDPRXA	3,405,591	9,311	10,256	\$ 15.10	\$ 3.50	\$ -	\$ -			
Puerto Rico Tel Co	ANSCPRXA	214,424	113	7,192	\$ 14.00	\$ 3.50	\$ -	\$ -			
Puerto Rico Tel Co	ARBOPRXA	766,383	1,744	26,653	\$ 15.10	\$ 3.50	\$ -	\$ -			
Puerto Rico Tel Co	ARBOPRXB	9,683,502	26,836	7,100	\$ 15.10	\$ 3.50	29.14	\$ 2,482,533			
Puerto Rico Tel Co	ARRYPRXA	3,578,820	8,521	10,451	\$ 15.10	\$ 3.50	\$ -	\$ -			
P R T C - Central	ASBSPRXA	1,950,889	5,135	6,277	\$ 14.00	\$ 3.50	\$ -	\$ -			
Puerto Rico Tel Co	BCNTPRXA	2,335,267	5,890	6,517	\$ 14.00	\$ 3.50	\$ -	\$ -			
Puerto Rico Tel Co	BRNQPRXA	2,630,785	5,972	7,321	\$ 14.00	\$ 3.50	\$ -	\$ -			
Puerto Rico Tel Co	BYMNPRXA	1,484,182	4,441	39,379	\$ 18.80	\$ 3.50	\$ -	\$ -			
Puerto Rico Tel Co	BYMNPRXB	24,527,807	81,694	65,740	\$ 18.80	\$ 3.50	\$ -	\$ -			
P R T C - Central	CAYYPRXA	3,386,634	10,678	16,226	\$ 15.10	\$ 3.50	\$ -	\$ -			
Puerto Rico Tel Co	CBRJPRXA	4,994,379	13,175	15,131	\$ 15.10	\$ 3.50	\$ -	\$ -			
P R T C - Central	CDRAPRXA	2,841,484	7,510	8,819	\$ 14.00	\$ 3.50	\$ -	\$ -			
P R T C - Central	CGUSPRXB	9,194,941	33,344	55,273	\$ 18.80	\$ 3.50	\$ -	\$ -			
Puerto Rico Tel Co	CIBAPRXA	1,921,415	4,518	3,903	\$ 14.00	\$ 3.50	\$ -	\$ -			
Puerto Rico Tel Co	CIBAPRXB	491,110	923	1,317	\$ 14.00	\$ 3.50	\$ -	\$ -			
Puerto Rico Tel Co	CILSPRXA	1,962,300	3,929	4,497	\$ 14.00	\$ 3.50	\$ -	\$ -			
Puerto Rico Tel Co	CMROPRXA	2,062,056	4,509	4,854	\$ 14.00	\$ 3.50	\$ -	\$ -			
Puerto Rico Tel Co	CMUYPRXA	6,606,124	15,874	17,936	\$ 15.10	\$ 3.50	\$ -	\$ -			
Puerto Rico Tel Co	CNVNPRXA	5,380,921	15,918	15,135	\$ 15.10	\$ 3.50	\$ -	\$ -			
Puerto Rico Tel Co	COMOPRXA	3,289,138	7,838	8,529	\$ 14.00	\$ 3.50	\$ -	\$ -			
Puerto Rico Tel Co	CRLNPRXA	21,102,768	68,560	72,891	\$ 18.80	\$ 3.50	\$ -	\$ -			
Puerto Rico Tel Co	CRZLPRXA	3,320,853	8,173	8,773	\$ 14.00	\$ 3.50	\$ -	\$ -			
Puerto Rico Tel Co	CTANPRXA	3,073,763	10,984	9,601	\$ 18.80	\$ 3.50	\$ -	\$ -			
P R T C - Central	CULBPRXA	243,730	446	856	\$ 8.45	\$ 3.50	\$ -	\$ -			
Puerto Rico Tel Co	DRDOPRXA	3,215,218	9,352	8,780	\$ 14.00	\$ 3.50	\$ -	\$ -			

Cascading Support Calculation for Hold Harmless Support for Puer) two study areas

Exhibit 2

	3Q Support
Hold Harmless Support for PRTC =	\$ 145,846,068
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Study Area	CLLI	Total FLEC Annual Cost	Total Model Lines	Total Reported Lines	Monthly Local Rate	Monthly Average SLC 1/	Rate + SLC exceeds Cost + Scale Factor of 1.32 net of support	Annual Support in Excess of Scaled Need
Puerto Rico Tel Co	FJRDPXAX	4,035,283	12,680	14,813	\$ 15.10	\$ 3.50	\$ -	\$ -
Puerto Rico Tel Co	FLRDPXAX	879,834	2,132	2,432	\$ 8.45	\$ 3.50	\$ -	\$ -
Puerto Rico Tel Co	GUNCPRXAX	1,792,294	4,685	4,210	\$ 14.00	\$ 3.50	\$ -	\$ -
P R T C - Central	GURBPRXAX	2,010,315	6,132	6,910	\$ 14.00	\$ 3.50	\$ -	\$ -
Puerto Rico Tel Co	GUYLPRXAX	1,943,947	4,773	5,368	\$ 14.00	\$ 3.50	\$ -	\$ -
Puerto Rico Tel Co	GUYMPRXAX	3,552,727	10,421	13,102	\$ 15.10	\$ 3.50	\$ -	\$ -
P R T C - Central	GUYNPRXAX	8,544,382	32,677	41,433	\$ 18.80	\$ 3.50	\$ -	\$ -
Puerto Rico Tel Co	HRGUPRXAX	1,608,415	5,037	3,929	\$ 14.00	\$ 3.50	\$ -	\$ -
Puerto Rico Tel Co	HUMCPRXAX	5,586,453	16,103	21,037	\$ 15.10	\$ 3.50	\$ -	\$ -
Puerto Rico Tel Co	ISBLPRXAX	3,595,877	9,338	12,245	\$ 15.10	\$ 3.50	\$ -	\$ -
Puerto Rico Tel Co	JNDZPRXAX	3,459,612	8,689	11,143	\$ 15.10	\$ 3.50	\$ -	\$ -
P R T C - Central	JUNCPRXAX	2,186,981	6,730	8,405	\$ 14.00	\$ 3.50	\$ -	\$ -
Puerto Rico Tel Co	JYUYPRXAX	1,301,888	2,449	3,680	\$ 8.45	\$ 3.50	\$ -	\$ -
Puerto Rico Tel Co	LRESPRXAX	2,771,842	5,526	6,912	\$ 14.00	\$ 3.50	\$ -	\$ -
Puerto Rico Tel Co	LSMSPRXAX	918,370	1,341	2,210	\$ 8.45	\$ 3.50	\$ -	\$ -
P R T C - Central	LSPDPRXAX	2,138,762	6,195	8,952	\$ 14.00	\$ 3.50	\$ -	\$ -
Puerto Rico Tel Co	LUQUPRXAX	1,865,464	5,005	6,151	\$ 14.00	\$ 3.50	\$ -	\$ -
Puerto Rico Tel Co	LVTWPRXAX	8,909,015	29,888	21,623	\$ 18.80	\$ 3.50	\$ 0.65	\$ 168,953
Puerto Rico Tel Co	MNATPRXAX	3,575,846	10,040	13,698	\$ 15.10	\$ 3.50	\$ -	\$ -
Puerto Rico Tel Co	MOCAPRXAX	3,055,447	7,342	8,455	\$ 14.00	\$ 3.50	\$ -	\$ -
Puerto Rico Tel Co	MRCOPRXAX	577,545	733	1,423	\$ 8.45	\$ 3.50	\$ -	\$ -
Puerto Rico Tel Co	MRVSPRXAX	2,202,730	4,653	6,253	\$ 14.00	\$ 3.50	\$ -	\$ -
Puerto Rico Tel Co	MUNBPRXAX	1,259,551	2,528	3,108	\$ 8.45	\$ 3.50	\$ -	\$ -
Puerto Rico Tel Co	MYGZPRXX	10,260,683	32,364	39,403	\$ 18.80	\$ 3.50	\$ -	\$ -
Puerto Rico Tel Co	NGUBPRXAX	2,490,574	6,539	6,091	\$ 14.00	\$ 3.50	\$ -	\$ -
Puerto Rico Tel Co	NRJTPRXAX	2,943,169	7,421	7,593	\$ 14.00	\$ 3.50	\$ -	\$ -
Puerto Rico Tel Co	ORCVPRXAX	2,423,567	4,142	5,501	\$ 14.00	\$ 3.50	\$ -	\$ -
Puerto Rico Tel Co	PNULPRXAX	1,615,583	4,043	5,470	\$ 14.00	\$ 3.50	\$ -	\$ -
Puerto Rico Tel Co	PONCPRXX	16,796,491	56,531	62,099	\$ 18.80	\$ 3.50	\$ -	\$ -
Puerto Rico Tel Co	QUBRPRXAX	1,936,764	5,069	6,496	\$ 14.00	\$ 3.50	\$ -	\$ -

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Model Lines 1,083,802
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							Rate + SLC exceeds Cost + Scale	
Study Area	CLLI	Total FLEC Annual Cost	Total Model Lines	Total Reported Lines	Monthly Local Rate	Monthly Average SLC 1/	Factor of 1.32 net of support	Annual Support in Excess of Scaled Need
Puerto Rico Tel Co	RIGRPRXA	4,442,661	12,846	13,723	\$ 15.10	\$ 3.50	\$ -	\$ -
Puerto Rico Tel Co	RNCNPRXA	3,645,360	8,969	4,493	\$ 14.00	\$ 3.50	\$ 6.91	\$ 372,328
Puerto Rico Tel Co	SBGRPRXA	2,428,086	6,859	6,758	\$ 14.00	\$ 3.50	\$ -	\$ -
Puerto Rico Tel Co	SLNSPRXA	2,712,002	7,023	7,938	\$ 14.00	\$ 3.50	\$ -	\$ -
Puerto Rico Tel Co	SNGRPRXA	3,892,846	10,292	7,272	\$ 15.10	\$ 3.50	\$ -	\$ -
Puerto Rico Tel Co	SNGRPRXB	2,496,147	6,189	10,801	\$ 15.10	\$ 3.50	\$ -	\$ -
Puerto Rico Tel Co	SNIBPRXA	1,687,153	4,892	5,019	\$ 14.00	\$ 3.50	\$ -	\$ -
Puerto Rico Tel Co	SNJNPRXA	63,429,023	215,569	189,456	\$ 18.80	\$ 3.50	\$ -	\$ -
Puerto Rico Tel Co	SNJNPRXB	1,162,670	3,945	31,953	\$ 18.80	\$ 3.50	\$ -	\$ -
P R T C - Central	SNLZPRXA	2,580,468	7,069	10,237	\$ 14.00	\$ 3.50	\$ -	\$ -
Puerto Rico Tel Co	SNSBPRXA	4,262,301	9,592	11,636	\$ 15.10	\$ 3.50	\$ -	\$ -
Puerto Rico Tel Co	TOALPRXA	4,627,196	13,611	6,399	\$ 14.00	\$ 3.50	\$ 4.67	\$ 358,640
Puerto Rico Tel Co	TRALPRXA	331,753	484	44,634	\$ 18.80	\$ 3.50	\$ -	\$ -
Puerto Rico Tel Co	TRALPRXB	6,708,526	20,690	73,113	\$ 18.80	\$ 3.50	\$ -	\$ -
Puerto Rico Tel Co	UTUDPRXA	3,778,454	8,297	8,527	\$ 14.00	\$ 3.50	\$ -	\$ -
Puerto Rico Tel Co	VGATPRXA	3,134,517	9,146	10,577	\$ 15.10	\$ 3.50	\$ -	\$ -
Puerto Rico Tel Co	VGBJPRXA	5,152,669	15,429	17,999	\$ 15.10	\$ 3.50	\$ -	\$ -
Puerto Rico Tel Co	VLLBPRXA	966,624	2,477	5,463	\$ 14.00	\$ 3.50	\$ -	\$ -
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Puerto Rico Tel Co	YBUCPRXA	3,451,286	8,215	9,073	\$ 14.00	\$ 3.50	\$ -	\$ -
Puerto Rico Tel Co	YUCOPRXA	3,425,632	8,907	11,773	\$ 15.10	\$ 3.50	\$ -	\$ -
		364,088,498	1,083,802	1,322,486				\$ 3,382,454

1/ Does not account for multi-line business lines